Brookfield Affiliates 2022 Investor Day
Brookfield Business Partners

September 29, 2022

Corporate Speakers:
- Cyrus Madon; Brookfield Business Partners; CEO
- Anuj Ranjan; Brookfield Business Partners; President
- Teresa Vernaglia; BRK Ambiental; CEO
- Jaspreet Dehl; Brookfield Business Partners; CFO

Participants:
- Geoffrey Kwan; RBC Capital Markets; Research Division; Analyst
- Steven Ko; Starvine Capital Corporation; Portfolio Manager
- Mona Nazir; CIBC Asset Management; Equity Research Analyst
- Gary Ho; Desjardins Securities Inc.; Research Division; Analyst
- Dimitry Khmelnitsky; Veritas Investment Research Corporation; Equity Research; Analyst

PRESENTATION

Cyrus Madon^ Thank you, everyone. Good afternoon. Thank you for joining us today at our Investor Day for Brookfield Business Partners.

Presenting with me today is Anuj Ranjan, the President of Brookfield Business Partners, he oversees our European, Middle Eastern and Asian business. Anuj is going to talk about the opportunities we see today and there are many in the current operating environment. We are also joined today by Teresa Vernaglia, the CEO of BRK Ambiental, our water and wastewater operations in Brazil and Teresa is going to talk about our progress at BRK Ambiental. Our CFO, Jaspreet Dehl, is going to wrap up our presentation, speaking to you about our financial progress.

Our strategy is simple. We buy great businesses for value, we enhance the profitability of those operations and we monetize them when we can maximize value. Since we talked to you last year, we have made excellent progress in executing our strategy and continue to generate increased value. We invested $4 billion at BBU’s share to acquire super high-quality, large-scale businesses. We generated $1 billion of distributions from our operations. We achieved record financial performance by every measure and we completed the creation of Brookfield Business Corporation which provides investors another option to invest in our business.

We are really pleased to maintain our track record of strong growth and performance. Our Adjusted EBITDA, which is BBU's share of the operations we own, has increased at a 50% compound growth rate since we created BBU to more than $2 billion today. Adjusted earnings from operations, or EFO, which includes interest expense and taxes, has increased to $1.3 billion. And most importantly, we have increased performance on a per unit basis with EFO per unit growing at 30%, reflecting the growing cash flow from our operations and a couple of equity issuances we did along the way to support our growth.

In addition to growing, the profile of our overall business has continued to get stronger – we have sold many of our smaller more cyclical businesses, we reinvested those proceeds to acquire larger and really high-quality businesses and today, our high-quality operations are serving us really well.

For those of you that were here earlier, you would have heard Mark Carney talk about resilience and this is the reason why resilience is so important in our business. Like most businesses around the world, we have been navigating through a challenging operating environment. We have had inflation in the form of higher material, labor and energy costs, supply chain challenges are starting to ease in some areas but overall they remain stretched today, and manufacturing lead times are well above normal levels. In response, central banks around the world are tightening monetary policy and interest rates are increasing which are of course, dampening global growth.

But despite these challenges, our operations have remained very resilient. In fact, our EBITDA margins are actually improving and this is happening for a couple of reasons. First, we own global market-leading companies with high-quality operations selling essential products and services. Our businesses include the global leader in advanced automotive batteries with two-thirds of its profitability coming from recurring aftermarket sales. We own a leading water and wastewater service provider in Brazil, providing 16 million people with an essential service. Teresa is going to give you some more insight into that. We also own the leading European modular space provider with a fleet of 260,000 modular units. Quite simply, BBU's operations provide products and services that consumers and businesses need to buy in any environment.

The second reason our margin performance is improving is because we continue making progress on our operational plans. We have built an organization focused on repeatable processes to drive improvement in any sector we are in and in any region. When we buy a company, we have a very detailed plan on what we are going to do to it and how we are going to drive margin improvement and cash flow and we take a very hands-on approach to managing those businesses. To that point, the annual EBITDA of the 15 businesses we have acquired over the last five years has improved in total by $750 million. BBU's share of that is $275 million, a very meaningful value improvement.

The combination of owning these high-quality businesses and our operational plans is driving performance. On a same-store basis, our revenue was up 5% over last year and EBITDA is up 7% and this means our operations continue to generate increasing levels of cash flow. Jaspreet will give you a greater sense of that when she goes into her section.

So I thought I would talk a little bit about the great businesses we recently added. These acquisitions are in different industries but they all share the same characteristics which we really like: leading industry positions, durable competitive advantages, strong returns on cash flow and strong cash generation. At our share, these businesses added close to $700 million of EBITDA and I thought I would highlight a couple of them, starting with Scientific Games.

Scientific Games is our lottery service provider which we acquired in April. This business provides services and technologies that governments need to run their lottery programs. Lotteries are a critical source of funding for governments and in the U.S. alone, they generate over $100 billion of revenue. Proceeds from these lottery programs fund very important social initiatives, including healthcare, education and senior services. What you can see on this slide is the incredible resilience of this industry through all economic conditions across multiple decades and we love industries with this type of backdrop. Our view is that with increasing budget deficits, governments are probably going to rely even more on lotteries and Scientific Games is the market leader, partnering with 130 lottery programs across 20 countries. We plan to support the growth of this business both by enhancing the offerings to its customers and helping it grow internationally using our global footprint. In addition, digital lotteries are just getting started and this should drive meaningful growth. Over the next several years, we think we should be able to increase the EBITDA of this business by about $150 million per year.

In July, we acquired CDK Global, the market leader of software and services to auto dealers in the U.S. with 50% market share. CDK provides mission-critical ERP software and it has almost 100% retention rate amongst its larger customers. It has a subscription-based software model with recurring contracted revenues and very low ongoing capital requirements, all of which means it generates a lot of cash flow. Even then, we see a big opportunity to make it a better business. In fact, we see similarities to our Westinghouse investment. CDK's margins have been going in the wrong direction and it operates in an industry that is misunderstood. Both gave us an opportunity to buy a great business at a reasonable value. Historically, this business generated EBITDA margins of around 44% which recently declined to 31%. You are going to ask why, of course – they added a bunch of costs and they focused on products and services that the market really did not want. Our plan is pretty simple – it is to improve productivity, enhance customer service, sell the products that the customers want and we are going to focus on the same areas we did with Westinghouse: organizational design, commercial execution and product delivery. CDK's margins should improve very meaningfully over time.

So hopefully you will agree that we are adding more great businesses to BBU. Today, about 75% of our annual EBITDA comes from really high-quality, market-leading businesses. The durability of these businesses will continue to support stable financial performance across market cycles and our earnings should continue to grow as we execute on our value creation plans.

At the same time, we are moving forward with our next monetization cycle which will crystalize meaningful liquidity for our business. So when is the right time to sell a business? We get asked this question regularly. It depends on how far along we have progressed in our value creation plans as well as market conditions. Westinghouse, our nuclear technology services business is well progressed and the industry is set to have strong tailwinds for the foreseeable future. As many of you will know, we are running a sale process for Westinghouse.

Since acquiring Westinghouse in 2018, we enhanced the value proposition for its customers, we improved productivity and we invested in technology with seven bolt-on acquisitions. Annual EBITDA of Westinghouse will have almost doubled by the end of this year from the time we purchased it and so far, we have generated two times our invested capital from distributions and we expect to generate meaningful proceeds from an eventual sale which will fund our future growth.

Westinghouse is really a precursor of what is to come. Many of you would know, we have been very acquisitive over the last several years. To put this into context, in the last two years alone, we have invested $5.5 billion into mostly larger high-quality businesses. On balance, if we are able to achieve even the low end of our targeted return range of 15% to 20% and if we can achieve 15% over a six-to-eight-year hold period, we should generate more than $12 billion when it comes time to sell these businesses. Our next stage of capital recycling sets us up really well to fund future growth.

With that, I'm going to hand it off to Anuj and he can tell you how we intend to invest all that money.

Anuj Ranjan^ Thank you, Cyrus. I'm here to speak with you today about how we plan to invest that capital in an uncertain time which has never been more apparent than the environment we are in today.

To start, today we are a global business – we have about 160 investment team members all over the world supported by 90,000 operating employees in every single region we operate. And that gives us deep industry knowledge to each of those local markets as well as a pulse on the market which not only allows us to manage our assets across all of these various geographies, but it also helps us generate significant proprietary deal flow and this is entirely by design.

We have been investing and growing our presence outside of North America over the last several years. Outside of North America, we now have offices in London, Frankfurt, Madrid, São Paulo, Mumbai, Dubai, Sydney and more recent operations in Shanghai and Tokyo where we have real boots on the ground and local expertise. We have also been investing capital in all these markets outside of the Americas. About three years ago, we acquired a business called Healthscope, a leading healthcare services provider and hospital owner in Australia. More recently, about a year ago, we made our largest acquisition ever outside of North America with Modulaire. Modulaire is a leading modular leasing and workspace accommodation services provider in Europe, which is four times bigger than its next biggest competitor with a presence in 25 countries. And in the last year, we have made three more modest investments in Asia – in India, the UAE and Singapore – buying businesses in financial and technology services, some of which I'll speak a bit more about later.

Despite what you read in the media and what the markets are doing, especially on a day like today, there has never been a better time to be a global value investor. The world looks very different than it did a year ago. You have a decade of disinflation now being reversed with the inflationary pressures that we all know about, especially in the wage market and energy market. While interest rates are low from a historical 40-year perspective, they are increasing as central banks tighten the monetary supply and this is what is helping create the opportunity.

Valuations have compressed across all regions and markets – more dramatically in Europe and the emerging markets. For us, as a value investor, this creates a real opportunity, especially if one has a broad investment mandate as we do. We have the flexibility to invest in many different ways. We prefer control investments – buyouts of high-quality, large leading businesses where we have scale and we can employ an operational approach. We also have the ability to do strategic non-control investments, such as structured investments, preferred securities, common equity or mezzanine and debt financing where we can be a great partner to other businesses that need capital.

This allows us to surface opportunities from a variety of sources. In an environment like today, you have large multinationals and conglomerates that are now retreating back to their core businesses and selling non-core assets and businesses. You also have often misunderstood or orphaned public companies that are trading well off and do not have access to capital, providing a real opportunity. Many corporates need capital to deleverage or they might need capital for growth and today, the equity and increasingly the debt markets are no longer available to them. In addition, you have companies that sometimes are forced to sell businesses, whether it is due to a regulatory reason or sponsors that sell businesses due to end-of-life fund periods.

On that note, I'll speak with you a bit about Unidas, a leading Brazilian fleet management business which we acquired last year that has doubled our presence and our fleet management in the country. We were able to acquire this business opportunistically for value because the prior owner needed to sell it when the government forced the sale due to antitrust issues. It is an opportunity like this that allows us to double the size of our existing business and gives us a ton of scale and opportunity to continue to grow the combined entity.

Looking ahead, we are very excited about the future and about delivering further growth for BBU in this rapidly changing and evolving environment. There are many secular trends that are impacting everything that we do, businesses we own and sectors that we are looking at. Inflation, which we heard a lot about this morning, is a key driver and it is increasing the need for pricing power in market-leading businesses, like the ones we own. Many industries are investing more heavily in technology and enterprise solutions or services to combat this inflation through digitalization because that acts as a great inflation offset. Energy security, which both Mark and Connor spoke about earlier, is creating a need for new infrastructure which creates another need for infrastructure services, the kind that we own and invest in today. Sustainability continues to be a tailwind both at a financial level and at a government policy level across everything we do, creating the need for other services in the space. Demographics, an aging population in the west and a younger emerging population in the east where the middle class and the wealth are growing, have different demands for services and products.

These trends align around our core sectors: industrials, infrastructure services and business services. In the supply chain, the re-onshoring to the U.S. has increased 50% in the last three years and that is a trend that we can benefit from and invest around. At the same time, you have urbanization. Two and a half billion people are expected to live in cities by 2050 and that is a huge demand on infrastructure, creating more need for services that support that infrastructure. As for business services, if you take outsourcing in a recessionary environment like we are in today with wage pressure, you are seeing increased demand for business process outsourcing services.

I would also like to speak with you in a bit more detail about technology and healthcare, which are two sectors where we have been building capability over the last several years and we see a real opportunity in this environment. First, technology is an incredible inflation offset and that is important in this environment where inflation is on everyone's mind because when companies use enterprise software or services, it allows them to be more productive and more efficient, directly combating the impact of inflation and often going beyond the impact of inflation.

While technology services and software are a great opportunity to combat inflation, as you can see the NASDAQ has been dragging down – tech companies have been beaten up in the stock market. In fact, this chart is a few days old and if it was as of today, it would probably fall off the slide. As a result, the opportunity is quite incredible and we are thankful that tech is viewed as that high-growth, consumer, and unprofitable tech that we all think of. Around 85% to 90% of the market cap of unprofitable companies are tech companies but with that, comes some great technology companies as well.

It really is a tale of two cities and not all technology is created equal. High-growth and low or non-profitable tech where valuations, even after coming off, are still incredibly high. But there are also great businesses that are profitable and cash-generative – high-quality technology services and software companies that trade at a much more reasonable multiple and are unfortunately being dragged down in this environment, such as CDK which Cyrus spoke about earlier.

Another example of a great business that fits in that category which we recently acquired is Magnati. This is a technology-enabled payment processor in the UAE in an oligopolistic market where Magnati has one third of the entire market share of online and offline credit card transactions. In an environment where the UAE is still 50% cash and 50% credit, the secular trend and shift to credit card or bank card usage is increasing and the country itself is growing, providing significant tailwinds for this company. We were able to buy this technology company and also put in place an expansion plan in the region.

We are also seeing amazing opportunities in healthcare and I want to tell you a little bit about this because as you know, we have been building our capability in healthcare over the last few years. In this specific environment, it is actually quite interesting. First, we have to set healthcare in terms of the scale of the entire business – global healthcare spend last year was $8.5 trillion. It is a massive industry and half of that spend was in the U.S. alone. Notwithstanding the size of the sector, the activity in the healthcare space, whether it is through IPOs, SPACs or private equity activity, is down between 40% and 80%. Even with the activity down, healthcare as an industry continues to perform quite well. The growth in healthcare spend is expected to be about three times U.S. GDP growth.

You still have a very robust and resilient market that has been hit by a very difficult environment over the pandemic. It has been through what I like to refer to as a triple whammy. First, the start of the pandemic where you could not have elective procedures due to hospitals being shut or being used for COVID requirements. Second, the more recent supply chain disruption has affected all of these kinds of industries in the world, including healthcare. Third and more recently, you have inflation and labor shortage.

So you have a sector that is very resilient, it has been hurt in the last couple of years, the scale of which is huge, and we happen to have recently built out a capability in this space, providing an opportunity but only if you have the ability to operationally turnaround these businesses. And that is why we are focusing on the parts of healthcare that we understand where we can add real value. Industrial healthcare, such as medical product manufacturing – think of a business that makes pacemakers – high-quality manufacturing, which is an area where our expertise in logistics, supply chain and distribution is going to help us invest. Healthcare business services, which provide very specific services that require healthcare knowledge to hospitals, healthcare providers and insurance plans, is an area we know a lot about from our experience in business services. Lastly, the physical delivery of care, where we are focused on lowering the cost and increasing the quality of that care – think of providing healthcare in the home which is a much lower cost advantage – another interesting opportunity in the space.

Now I have said a lot over the last 15 minutes and if I had to leave you with just three things from this presentation, it would be the following: number one, we are very excited about the future and it is a great time to be a value investor. Number two, we have built out our global scale and capabilities over the last several years. And number three, we are positioned very well in this uncertain and somewhat volatile economic market.

Thank you and with that, I'll hand over to my colleague, Teresa.

Teresa Vernaglia^ Good afternoon. I'm Teresa Vernaglia and I have been the CEO of BRK Ambiental since Brookfield acquired this business in 2017. We are one of the largest water and wastewater service providers, serving over 16 million inhabitants. Since the acquisition of the business, we have been growing BRK substantially while strengthening the management team and improving the quality of service. What is amazing about this business is that this growth is sustainable as we have ESG principles embedded in our core business and I'll explain this in the coming slides.

Our future growth potential is supported by the significant gap in Brazil to provide this basic service to our population. Today, 35 million Brazilians do not have access to potable water, which is the entire population of Canada. 55% of Brazilians are without access to sewage collection and treatment. In 2020, the Brazilian Congress approved a new legislation which established that the country will reach universalization by 2023 – 99% of Brazilians having access to potable water and 90% of Brazilians having access to collection and treatment of sewage. To achieve this, over $100 billion of investment is required and BRK is in a strategic position to capture this amazing investment opportunity. The reason for this is our national footprint which provides services to over 100 municipalities in 13 states across Brazil. We have the unique opportunity to leverage economies of scale and synergies, while delivering a strong track record of results led by a proven team.

This is a basic service and our business is simple – we provide water and sewage to the population. At the end of the day, we are providing health and well-being for the population. While we are paid through long-term contracts, tariffs are increased annually by inflation. We are also improving our operational efficiency year after year, under a regulatory environment that is becoming mature every year.

We are building a very successful story. Our management team has increased annual EBITDA by 25% over the last five years while also improving the EBITDA margin from 38% to 45%. And what is more amazing about that? We are a business that grows in the double digits and with sustainable growth. BRK meets 10 of the United Nations Sustainable Development Goals and since 2017, we have strong commitments and clear goals to reach even more of this agenda.

This double-digit sustainable growth and our strong track record of results form the base of our business that has stable, predictable and growing cash generation. A concession goes through three stages: under development, ramp-up, and maturing. Two-thirds of our concessions are under the high-growth phase – under development and ramp up. This stage is capex intensive in order to connect the new households, increase the customer database and increase our operational efficiency. As we reach universalization and assets become mature, capex requirements will come down and EBITDA margins will normalize at 70%. This is the basis for our business. We do this over and over again in each one of our assets and we call it: do it, improve it and repeat it.

Our existing portfolio serves 3.1 million households and as our portfolio matures, we are going to add 1.6 million households. Each household generates an average of $150 in net operating revenue per year with an EBITDA margin of 70%. This shows what is to come in terms of growth for this company within the existing portfolio.

The way that we guarantee this growth is based on three pillars: our ability to perform capex execution which includes capital allocation and connecting customers to reach universalization, continue to improve our operational performance, and revenue management which includes improving the delinquency rate, meter replacement and customer database optimization.

This is exactly what we do when we add value, not only through growing the existing portfolio, but adding new concessions to our platform. In 2020 when BRK won a bid, it added a new state, 13 municipalities and 1.5 million inhabitants. Our commitment in this concession is to reach universalization of water which is around 80% today, to 99% by 2027, universalization of sewage by 2033, and reduce water losses of 60% to 25% in the coming eight years.

We are very excited about the coming years of BRK as we keep growing this company in the double digits on an organic basis. But we are also very excited about what there is to come. Since the approval of the new law, we have a pipeline ready to come to market that represents six times BRK in population. Most of this pipeline comprises concessions in the northeast of Brazil where BRK has most of our current concessions, economies of scale, synergies, and a strong track record of execution. The sky is the limit for this company with double-digit growth, but what is more amazing is that it is sustainable growth, providing health and well-being to the Brazilian population.

Thank you for your time and now I will pass it to Jaspreet.

Jaspreet Dehl^ Thanks Teresa and good afternoon, everyone. I usually end my presentation every year with the NAV or our view on liquidation NAV. This year, I thought I would mix things up – make sure people are paying attention – and start with the NAV.

Our overall objective at BBU remains unchanged. We are very focused on building intrinsic value within the business over the long term. Since we launched BBU, we have grown net asset value per unit by a 15% compounded annual growth rate to approximately $39 per unit today. But many of you who track our units also know that our market performance has been below the value that we have built at BBU.

In our view, this disconnect is driven by a few misperceptions around the business. The first is around the underlying quality of our earnings. Cyrus highlighted the strong and growing margins that we are generating today which are underpinned by high-quality, large-scale operations that are providers of essential products and services. This gives the business a tremendous amount of ability to grow earnings and cash flows. I'm going to focus on the other two things that we believe are misperceptions in the market. The first is the management of our balance sheet and the second is the trading potential of our units.

Starting with our balance sheet – our goal at BBU continues to have no permanent debt at the corporate level. We do have working capital lines which we have drawn on to fund acquisition activity but we view these as bridge capital to monetizations and they are not meant to be permanent in nature. We finance all of our operations within our operating companies on a non-recourse basis. So no recourse up to BBU, no guarantees and no cross-collateralization of that debt across the different operating companies. And lastly, our goal is to ensure that the debt that we put in place within our companies is serviceable and sustainable. Serviceability of debt really comes down to ensuring that in all market conditions, our operating companies can cover the interest payments related to the debt as well as refinance the debt as it comes up. Sustainability of debt is ensuring that as we get closer to monetization, the level of debt within the operation is sustainable or suitable for the long term.

This can look quite different for different businesses. What is appropriate for a particular operating company within BBU, may not be appropriate for another. When we are making a decision around the right amount of leverage to put on new business, there are a few things that we take into consideration. The first is the underlying characteristics of the business that we are buying or financing. Is the business a market leader? Does it generate stable cash flows or even contractual cash flows? Or is it a business that may have variability or volatility in the underlying earnings or cash flow profile? Second, what are we planning to do with this business? What is the EBITDA enhancement potential? Where are we in our value creation plan and is that going to result in a natural deleveraging of the balance sheet? And finally, what is the long-term optimal capital structure for that particular operating company?

Looking at that within the context of BBU's operating businesses and starting with Multiplex, our construction operation. We have owned this business for a really long time. Revenues and earnings within the construction operation can vary based on timing of customer awards as well as the ongoing project activity and this can lead to variability both in earnings as well as the cash flow generation within the business on a quarter-over-quarter basis. In businesses like these, we will typically minimize the amount of leverage that we put in place. For Multiplex in particular, we run that business with no permanent debt. In fact, we run it with cash on its balance sheet. At any point in time, Multiplex will have excess cash which allows it to manage through any variability in ongoing quarter-over-quarter cash flows.

On the other hand, we have businesses that are stable, long-term cash flow generating and can sustain higher levels of leverage. Westinghouse, our nuclear technology services operation, is a great example of that. It is an extremely resilient business with a sticky customer base and generates a lot of free cash flow. We bought this business in 2018 and when we bought it, we funded it with $1 billion of equity and $3 billion of debt. At the time of acquisition, the business was generating $440 million of EBITDA which equates to just over six times leverage. Fast forward to today, on a run-rate basis, the business generates $800 million of run-rate EBITDA. The debt within the business is $3.5 billion which equates to about four times leverage. We have done this, deleveraged the business, by taking a very balanced approach to capital allocation. We have been able to provide substantial distributions up to BBU and at the same time deleverage the business to a more sustainable long-term leverage level.

And finally, our advanced energy storage operation, Clarios, which is another exceptionally high-quality business. We bought this business in 2019 and we funded it with $3 billion of equity and $10 billion of debt. At the time of acquisition, the business was generating $1.6 billion of EBITDA resulting in leverage just over six times. We have made quite a bit of progress on our operational improvement plans at Clarios and the annual EBITDA today is at $1.7 billion. The business has also paid down the debt within the operations by about $750 million. Taking this two-pronged approach of enhancing the underlying EBITDA and paying down debt, we have now brought the leverage levels down to five-point-four times.

If we step back, we finance all of our businesses on a non-recourse basis and we have been very focused on ensuring that this non-recourse borrowings that we are putting within our operating companies is done at favorable terms over the last few years. Today, the weighted average borrowing cost for BBU is about 5%, our weighted average maturity is about five years, and about half of our exposure is fixed or hedged. To put this in context, a 75-basis point increase in interest rates, like we saw the Fed implement last week, results in about a $65 million impact to our interest expense which is less than 5% of Adjusted EFO today and is very manageable for us given the cash flow profile of the business.

Looking at the cash flow profile of the business, on a run-rate basis which annualizes for the acquisitions that we have done this year, BBU is generating Adjusted EBITDA of $2.5 billion. If we take off interest and taxes, we come to $1.5 billion of Adjusted EFO, and if we take off maintenance capex, depletion and other capital requirements, at BBU's proportionate share, our free cash flow on a run-rate basis is about $800 million today. This cash provides us with a significant amount of flexibility to refinance our operations, reinvest into our businesses or distribute up to BBU to fund our future growth. In fact, if we look at the free cash flow profile of our business over the years, it has grown at an approximate 30% CAGR and today, our free cash flow per unit is $3.65.

All of this cash flow is helping fuel our capital recycling initiatives. During the last 12 months, our operations have returned to us $1 billion through distributions and we have done this without selling any of the underlying operating companies. This cash flow profile, as you can see, has grown quite meaningfully over the years and this has been a very deliberate effort. Cyrus touched on this earlier, but we have sold a lot of our smaller, more cyclical operations and reinvested those proceeds into large-scale, cash-generative businesses.

Bringing all of this back to where we started. Total distributions of $1 billion, $1.5 billion of potential recycling proceeds through sales processes that we have talked to you about, provide us with a lot of flexibility alongside the credit facilities that we have in place.
So what does this mean in terms of our valuations? As we have laid out today, BBU has grown into a very high-quality business. In fact, the 18% EBITDA margin that we generate today is on par with high-quality, diversified service providers and high-quality industrial companies. But our trading performance has not correlated with the quality of our earnings. To put this in context, we are trading at a mid-teens free cash flow yield and

a eight times EV to EBITDA multiple. At the other end of the spectrum, other diversified services companies and the best industrial companies in the world that generate a 5% free cash flow yield and a mid-teens EV to EBITDA multiple.

So where should BBU trade? I'm not going to stand here and argue that we should trade at multiples that the best industrials companies in the world trade at but that is the opportunity for us. We do currently think that we are undervalued in where we are trading today. This means there is significant upside in the value of our units and that is even at a very reasonable multiple of earnings that we are generating today.

Thank you for your time and I'm going to give it back to Cyrus for Q&A.

QUESTIONS AND ANSWERS

Cyrus Madon^ We have a few minutes for questions. Any questions? I see a couple of hands up and we will get the microphone over to the folks with questions.

Geoffrey Kwan^ Geoff Kwan, RBC. Cyrus, with being more global on the number of offices and investment professionals, just wondering how the staffing profile is there? So for example, like Tokyo or some of these other places, are you staffing with a senior person that does relationship or are you staffing it with a fuller team of investment professionals that will cover the different sectors that you wind up investing in?

Cyrus Madon^ Geoff, ultimately our plan is to have full-scale teams doing everything in every region we operate in. Anuj talked to you about all our regions. Tokyo is a newer office and we have a smaller team there. Where we have a smaller team, we leverage the rest of Brookfield and all the other platforms that you have heard and will hear present today. But ultimately, we will have full scale teams in every region.

Steven Ko^ Steve Ko of Starvine Capital. Given where the share price is today and the stark discount that it trades, about 50% to your internal estimate of NAV, and a mid-teens free cash flow yield. When it comes to capital allocation, what would prevent you from going the path of a more significant share repurchase given that these are businesses you know intimately? It is just hard to imagine that buying external businesses would be more compelling.

Cyrus Madon^ We think as BBU gets larger, it will attract a broader investor base and if we are successful, and I think we will be, in garnering interest for our corporation, that will create a lot more demand for our shares or units and just scaling up and creating more float should solve the problem. We are buying shares back. In fact, we buy back as much as we can every quarter under securities law, but we want to take a balanced approach to capital allocation. We are buying businesses, we are investing in things, we are reinvesting in our existing companies and we are buying back our units. So that is the preference.

Mona Nazir^ Mona Nazir, CIBC Asset Management. There are so many push and pull factors and macro factors playing in, I'm just wondering what are you concerned about? Is it monetizations? Is it financial performance of certain parts of the portfolio? Is it labor?

Cyrus Madon^ I'm not going to say we are concerned about everything but we can keep an eye on all of those things. I can't think of a specific large-scale concern. I think the greatest thing we can do right now at this point in time is focus on this environment that we are in where there are an abundance of opportunities which appear to be really well priced. There are a lot of companies reaching out to us that need help. We are able to provide them with capital at a moment in time like this and I think we are going to earn some phenomenal returns by putting money to work in the current environment which is something Bruce touched on. That is clearly something we will do across Brookfield.

Gary Ho^ Gary Ho from Desjardins. Cyrus, we heard from Mark and Bruce's presentation earlier and there are a few powerful trends, energy securitization, re-shoring, et cetera. How does that play into your thinking when you are looking at potential targets and things that you want to avoid when you are looking at candidates?

Cyrus Madon^ We invest in companies that have strong cash flow and we invest in companies where we think we can improve their operations and that are market leaders. If we can help an existing business re-shore, we have capital to help them with that. But we are not going to be investing in greenfield projects. We are going to stay focused on buying cash flow generating businesses and there are many cash flow generating businesses that need capital for that and I'm sure Sam is going to touch on that and what we have been doing there.

Dimitry Khmelnitsky^ Dimitry Khmelnitsky, Veritas Investment Research. How confident are you in your ability to sell Westinghouse within the next two quarters? And does the $1.5 billion of capital recycling proceeds in the near term factor in Westinghouse or is it something else?

Cyrus Madon^ I will let Jaspreet answer the second half of the question but we are quite confident we are going to get this company sold. It is great business and it has lots of tailwinds. High-quality businesses have access to capital so we are quite confident.

Jaspreet Dehl^ The short answer is it does and we have captured in our prior year NAV and what we were carrying it at within that number. There are also marketable securities and other things that we have talked about selling which is also included in there as well.

Cyrus Madon^ Thank you very much. We look forward to speaking to you at the end. And now, I'm going to pass it over to Sam Pollock.